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Message Text

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43
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

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INFO AMEMBASSY JIDDA PRIORITY

C O N F I D E N T I A L TEHRAN 6252

E.O. 11652: GDS
TAGS: EGEN, EENG, OVIP (ROBINSON, CHARLES W.)
SUBJ: SAUDI POSITION ON PRODUCER-CONSUMER CONFERENCE

SUMMARY: SAUDI OIL MINISTER YAMANI, IN JIDDA MEETING JUNE 29 WITH UNDER SECRETARY ROBINSON, ACCEPTED MOST ASPECTS OF US APPROACH TO ORGANIZING PRODUCER-CONSUMER DIALOGUE THROUGH COMMISSIONS ON ENERGY, OTHER COMMODITIES AND AID TO POOREST LDC'S, BUT HE INSISTED ON HAVING FOURTH COMMISSION ON FINANCIAL AND MONETARY MATTERS OF UNDEFINED SCOPE. HE WARNED THAT OPEC MEETING OF SEPTEMBER 24 TO FIX OIL PRICES MIGHT RAISE PRICES 30 TO 35 PERCENT UNLESS WELL BEFORE THAT TIME 10-NATION PREPCON HAS MET AND AGREED ON PROCEDURAL STRUCTURE OF DIALOGUE.

1. CONTINUING HIS BILATERAL EXPLORATION ON RESUMPTION OF MULTILATERAL PRODUCER-CONSUMER DIALOGUE, UNDER SECRETARY ROBINSON CALLED ON SAUDI PETROLEUM MINISTER YAMANI IN JIDDA JUNE 29. YAMANI QUICKLY ENDORSED KEY ELEMENTS OF US PROCEDURAL APPROACH, PARTICULARLY:

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(A) PRIMARY RELIANCE ON 10-NATION PREPCON TO (1) ESTABLISH METHOD OF SELECTION OF MEMBERS OF LARGER MINISTERIAL CON-FERENCE WHICH WOULD FORMALLY LAUNCH COMMISSIONS; (2) SETTLE IN ADVANCE NUMBER AND GENERAL PURPOSES OF COMMISSIONS AND

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THEIR RELATION TO MINISTERIAL CONFERENCE; (3) SET CRITERIA FOR SELECTION OF MEMBERS OF COMMISSIONS AND NUMBER OF MEMBERS; AND (4) RESOLVE SUCH PROCEDURAL MATTERS AS MEANS OF SELECTING CHAIRMAN OF MINISTERIAL CONFERENCE, TIME AND PLACE OF MEETING, ETC.

(B)USE OF OBJECTIVE CRITERIA, BASED ON MAJOR INVOLVEMENT IN SUBJECT TO BE ADDRESSED BY A COMMISSION, IN DETERMINING COUNTRIES TO BE INVITED TO PARTICIPATE IN EACH COMMISSION.

(C) RESTRICTING SIZE OF COMMISSION SO AS TO MINIMIZE IDEOLOGICAL RHETORIC AND ENCOURAGE SERIOUS WORK. (YAMANI THOUGHT 5 TO 9 MEMBERS WOULD BE FEASIBLE SIZE.)

3. YAMANI NOTED SECRETARY'S IEA SPEECH REFERENCE TO POSSIBLE "OTHER" COMMISSIONS. HE SAID SAG HAD DECIDED TO JOIN OTHER OPEC AND LDC MEMBERS OF PREPCON IN SEEKING FOURTH COMMISSION ON FINANCIAL AND MONETARY MATTERS. HE SAID THREE SUB-COMMITTEES ON THIS SUBJECT WOULD BE UNCOORDINATED AND CERTAIN TO PRODUCE CHAOS. SINGLE COMMISSION HE ENVISAGED WOULD ADOPT RESOLUTIONS. WHILE HE COULD NOT ASSURE THAT ITS SCOPE WOULD BE RESTRICTED TO DIRECTLY RELEVANT FINANCIAL ISSUES, HE BELIEVED IT COULD BE CONFINED TO RESPONSIBLE PROPOSALS FOR EVOLUTIONARY CHANGE. ("WE'LL HANDLE THE ALGERIANS," HE SAID.)

4. ROBINSON REITERATED ARGUMENTS AGAINST THIS PROPOSAL AND SAID INSISTENCE ON IT COULD BE STUMBLING BLOCK TO ANY MOVEMENT TOWARD LAUNCHING MULTILATERAL PRODUCER-CONSUMING DIALOGUE. HE REMINDED YAMANI THAT HT HAD INDICATED AGREEMENT LAST MONTH WITH US VIEW THAT EACH COMMISSION SHOULD DEAL WITH FINANCIAL MATTERS ONLY AS ASPECTS OF THREE BASIC SUBJECTS, POSSIBLY USING FINANCIAL SUBCOMMITTEES WHEN CONVENIENT. NOW YAMANI WAS RE-OPENING ISSUE AND REVERTING TO INCLUSION OF MONETARY POLICY AND FINANCIAL ISSUES OF UNRESTRICTED SCOPE. YAMANI SAID HE HAD NEVER MEANT TO RESTRICT SCOPE TO DIRECTLY RELATED FINANCIAL ISSUES AND, IN ANY CASE, "I CAN'T SEE AGREEMENT BY OPEC OR LDC MEMBERS TO HOLDING CONFERENCE WITHOUT A SEPARATE COMMISSION CONFIDENTIAL

ON MONETARY AND FINANCIAL MATTERS." ROBINSON SAID HE COULD NOT RPT NOT AGREE BUT WOULD CONSULT WITH SOME OF OTHER EIGHT PREPCON MEMBERS AND REPORT THEIR VIEWS BY MID-JULY.

5 YAMANI PRESSED FOR RECONVENING OF PREPCON IN AUGUST OR SEPTEMBER, SAYING THIS WAS ESSENTIAL TO INFLUENCE OPEC DECISIONS AT SEPTEMBER 24 VIENNA MEETING ON OIL PRICES. HE AGREED THAT PREPCON SHOULD NOT BE SCHEDULED UNTIL MEMBERS WERE IN SUBSTANTIAL AGREEMENT ON FOUR KEY TOPICS CITED IN PARA (1) ABOVE, BUT HE ARGUED THAT SEARCH FOR CONSENSUS SHOULD BE ACCELERATED AGAINST DEADLINE OF OPEC MEETING. ROBINSON SAID BILATERAL RESOLUTION OF KEY PROCEDURAL ISSUES BEFORE END OF JULY WAS IMPOSSIBLE, AND EUROPEANS WOULD RESIST MEETING

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IN AUGUST VACATION PERIOD. CONCURRENT PREPARATIONS FOR
AND MEETING OF UNGA SPECIAL SESSION ALSO CONFLICTED WITH
AUGUST AND EARLY SEPTEMBER DATE FOR PREPCON, FORCING CONCLUSION
THAT LATE SEPTEMBER WAS EARLIEST PRACTICAL DATE. YAMANI
REPLIED, "IN MATTERS OF THIS IMPORTANCE THE EUROPEANS MUST
RECOGNIZE THAT THEY DON'T HAVE TO TAKE VACATIONS IN AUGUST.
OTHERWISE THEY MAY HAVE TO TAKE ON 30 TO 35 PERCENT INCREASE
IN OIL PRICE."

6. IN LOCAL PRESS INTERVIEW PUBLISHED SAME DAY, YAMANI DREW
SIMILAR CONNECTION BETWEEN SAUDI POSITION ON CONTINUING
OPEC PRICE FREEZE AND ACTION TO RESUME PRODUCER-CONSUMER
DIALOGUE ON PROMISING BASIS.

7. COMMENT BY ROBINSON: YAMANI'S WARNINGS, WHICH VOICED CALMLY,
WERE EMPHATIC. THEY MAY BE TACTICAL PLOYS, BUT THEY MUST BE
TAKEN SERIOUSLY. YAMANI WILL BE CONFERRING WITH GOI DAY
AFTER MY MEETINGS WITH GOI. UNDOUBTEDLY HE WILL BE SEEKING
UNITED FRONT ON BOTH OPEC PRICE AND PRODUCER-CONSUMER ISSUES.
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